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**FISCAL IMPACT STATEMENT**

**LS 7150**

**BILL NUMBER:** HB 1455

**NOTE PREPARED:** Jan 3, 2011

**BILL AMENDED:**

**SUBJECT:** Tax abatement for agricultural property.

**FIRST AUTHOR:** Rep. Bacon

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill permits an economic revitalization area (ERA) to be established in an area predominately used for agricultural purposes.

The bill makes redevelopment or rehabilitation in an agricultural ERA and new farm equipment eligible for local tax abatement. It also makes property that is the subject of a succession in operation or control of a family farm eligible for a local tax abatement.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, a designating body may designate a particular area as an ERA if normal development and occupancy has become undesirable or impossible. This bill would allow an area to be designated as an ERA if it will be predominantly used for agricultural purposes for a specified period.

Under this bill, new farm equipment located in an ERA would be eligible for property tax abatement for up to 5 years. In addition, the designating body would be permitted to make a finding that a succession is likely to result in the continuation of a family farm. A succession finding would allow the designating body to grant

abatements on existing structures and buildings, and personal property. The value of land may not be abated under the bill.

If there is an increase in new farm equipment purchased because of this proposal, the new property would, at some point, be placed on the tax rolls. This could help spread the property tax burden and could possibly reduce some tax rates. However, if one assumes that the investment in farm equipment would be made with or without the abatement, an increase in abatements could also cause a delay of the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls.

The possible abatement of existing property under this proposal would reduce the existing tax base and shift part of the tax burden from the taxpayers receiving the abatements to all other taxpayers.

If total AV is increased and tax rates are reduced, then exposure to the circuit breaker caps would be reduced. If total AV is reduced and tax rates increase then additional circuit breaker losses would be incurred. In all cases, the granting of an abatement is a local decision.

**State Agencies Affected:**

**Local Agencies Affected:** Local designating bodies; All taxing units.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.